

Message Text

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SUBJECT: BAYOVAR INDUSTRIAL COMPLEX

REF: LIMA 5787

1. GENERAL GUILLERMO ARBULU, CHIEF OF THE EXECUTIVE COMMITTEE FOR THE BAYOVAR INDUSTRIAL COMPLEX (CECOMBA), GAVE A TWO-HOUR TELEVISED SPEECH/PRESS CONFERENCE ON JULY 21 IN ORDER TO EXPLAIN THE GOP'S PLANS FOR THE DEVELOPMENT OF THE \$2 BILLION BAYOVAR PROJECT. BAYOVAR HAS RECEIVED CONSIDERABLE PUBLICITY DURING THE PAST YEAR, BUT THIS WAS THE FIRST TIME THE DIVERSE COMPONENTS WERE PRESENTED TOGETHER IN A PUBLIC EXPOSITION.

2. THERE WILL BE FOUR CENTRAL COMPONENTS IN THE COMPLEX - PETROLEUM AND PETROCHEMICAL PRODUCTS, PHOSPHATE, A SALT PLANT, AND A METALLURGICAL COMPLEX. SEVERAL OF THESE COMPONENTS ARE DIRECTLY RELATED TO MAJOR DEVELOPMENT PROJECTS CURRENTLY UNDERWAY.

3. THE PETROLEUM AND PETROCHEMICAL COMPONENT WILL INCLUDE A 150,000 BARREL PER DAY PETROLEUM REFINERY (TOTAL COST - \$230 MILLION), A NITROGEN FERTILIZER PLANT PRODUCING 600-900 TONS OF UREA AND/OR AMMONIA PER DAY (\$156 MILLION), AND AN INTEGRATED PETROCHEMICAL COMPLEX (\$630 MILLION). THE REFINERY AND THE PETRO-
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CHEMICAL COMPLEX WILL DEPEND ON THE TRANS-ANDEAN OIL

PIPELINE CURRENTLY BEING CONSTRUCTED (\$636 MILLION) AND THE PIPELINE TERMINAL (\$36 MILLION). THE PETROCHEMICAL COMPLEX WILL BE CONSTRUCTED BY INDUPERU; THE OTHER PROJECTS BY PETROPERU.

4. THE PHOSPHATE COMPONENT (TO BE CONSTRUCTED BY MINEROPERU) INCLUDES A CONCENTRATOR (\$47 MILLION), A PLANT PRODUCING 460,000 METRIC TONS OF PHOSPHORIC ACID PER YEAR (\$50 MILLION), AND A PLANT PRODUCING 377,000 METRIC TONS OF TRIPLE SUPER-PHOSPHATE AND 231,000 METRIC TONS OF DIAMONIC (DIAMONICO) PHOSPHATE PER YEAR (\$135 MILLION).

5. THE SALT PLANT (TO BE CONSTRUCTED BY MINEROPERU) INCLUDES THE PRODUCTION OF 100,000 METRIC TONS OF POTASSIUM CHLORIDE AND ONE MILLION METRIC TONS OF SODIUM CHLORIDE PER YEAR (\$23 MILLION).

6. THE METALLURGICAL COMPLEX WILL INCLUDE THE REFINING OF 200,000 METRIC TONS OF ZINC AND 200,000 METRIC TONS OF COPPER AND THE PRODUCTION OF 700,000 METRIC TONS OF SULFURIC ACID PER YEAR (\$190 MILLION). THIS COMPLEX WILL USE COPPER PRODUCED BY THE MICHICUILLAY COPPER MINE WHICH IS PRESENTLY ONLY IN AN INITIAL PRE-FEASIBILITY STUDY STAGE.

7. IN ADDITION TO THE FOREGOING PRODUCTIVE COMPONENTS, THE BAYOVAR COMPLEX WILL REQUIRE A VAST GOP EFFORT IN INFRASTRUCTURE DEVELOPMENT. THE AREA IS ONE OF THE DRIEST, MOST ISOLATED PARTS OF THE PERUVIAN DESERT. THUS, THE INFRASTRUCTURE NEEDS INCLUDE WATER, ELECTRIC POWER, ROADS, A CITY FOR 100,000-120,000 INHABITANTS, PORT, ETC.

8. THE GOP EXPECTS TO HAVE THE BAYOVAR COMPLEX COMPLETED BY 1985, ACCORDING TO GEN. ARBULU. WE BELIEVE THAT THIS ESTIMATE MAY BE RATHER OPTIMISTIC GIVEN THE TECHNICAL COMPLEXITY OF THE PROJECT AND THE OTHER CONSTRAINTS MENTIONED IN REFTTEL. NEVERTHELESS, THIS PROJECT COULD OFFER VERY SUBSTANTIAL OPPORTUNITIES FOR THE SALE OF U.S. GOODS AND SERVICES DURING THE NEXT TEN YEARS.
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THE EMBASSY WILL CONTINUE TO FOLLOW THE PROJECT CLOSELY, REPORTING ALL EXPORT OPPORTUNITIES FOR U.S. FIRMS.
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